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and Alumni Giving

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Pay It Forward: Economics, Leadership, and Alumni Giving

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I. INTRODUCTION

Scholars have examined alumni giving at universities to explain what factors contribute to individual donations. The purpose of this paper is to conduct a study on alumni giving at the University of Puget Sound. The paper examines what factors lead to a high degree of overall satisfaction with one's undergraduate experience. The analysis is based in research from both economics and leadership. The university's mission, leadership, and students' learning experiences are examined when considering what factors cause Puget Sound alumni to give back. An analysis of alumni giving reveals the need for Puget Sound to build a culture of service by creating a satisfying and fulfilling collegiate experience. A culture of giving will provide Puget Sound with the resources to compete against and outperform top liberal arts colleges in the country.

The next section of the paper will provide background information on alumni giving and Puget Sound. The third section reviews relevant literature economics and leadership. The fourth section of the paper provides theory on alumni giving at Puget Sound. The fifth section introduces the economic model using data from two Puget Sound surveys as well as the regression results and analysis. The paper concludes by outlining the implications of the findings. Once conclusions have been reached, recommendations will be made to students, staff, and faculty that will foster a greater propensity to give back to Puget Sound.

II. BACKGROUND

Several factors are strongly correlated to the success of university alumni giving programs. Dave Beers, vice president of university relations at Puget Sound, has identified factors that are frequently associated with alumni giving. Generally, these factors are subdivided by the undergraduate and alumni experience. According to Beers, retention rates, campus

involvement, and housing choices contribute to future alumni giving. These factors are particularly relevant at smaller liberal arts colleges.

In addition to identifying factors that affect alumni giving, Puget Sound must create and maintain a common culture that promotes giving. President and CEO of Zumiez, Inc. and Puget Sound trustee Rick Brooks defines culture as “a set of shared values that are well understood and held generationally” (Brooks 2008). Alumni giving rates will be maximized if the university can create common threads of meaning throughout all different types of alumni groups. These common threads of meaning are explained in President Ronald Thomas’ *Defining Moments* article. In short, “A Puget Sound education is not something you get, it’s something you do and someone you become. It is an investment for a lifetime” (Puget Sound, *Defining Moments*). Instilling the mission and this vision in student leaders across campus will connect an administrative strategic plan directly to the students who are largely responsible for creating campus culture.

Increased student involvement often contributes to higher alumni participation rates, both in terms of donations and alumni activities. Student leadership roles within campus groups must be examined to fully understand the magnitude of such experiences. One must understand whether or not student leaders are more likely to give back. If universities are aware of the value of student involvement and leadership then the appropriate resources can be provided to students interested in those opportunities. For example, as stated in its mission, Puget Sound places a strong emphasis on a balance between academics and co-curricular learning:

A Puget Sound education, both academic and co-curricular, encourages a rich knowledge of self and others, an appreciation of commonality and difference, the full, open, and civil discussion of ideas, thoughtful moral discourse, and the integration of learning, preparing the University's graduates to meet the highest tests of democratic citizenship. Such an education seeks to liberate each person's

fullest intellectual and human potential to assist in the unfolding of creative and useful lives. (Puget Sound, Office of the President)

If Puget Sound wants to fully utilize its alumni population, it must better understand what has defined their undergraduate experience at the university. This would enable university staff members to solicit participation more successfully from both a giving standpoint as well as an alumni participation one. Alumni giving, and consequently the university as a whole, will suffer if it does not work towards creating common threads of meaning among all alumni.

III. REVIEW OF LITERATURE

Economist Charles Clotfelter compares two cohorts that represent different generations of college graduates (Clotfelter 2001). Clotfelter is able to determine which factors contribute to alumni giving in both generations, thus providing insight into consistent factors across time. He asserts that “A higher level of contribution is associated with higher income, with having participated in extracurricular activities in college, with having had a mentor in college, and with the degree of satisfaction in one’s undergraduate experience” (Clotfelter, 119). He also warns that increased alumni donations should not be of foremost concern. Enhancing the undergraduate experience through improving learning opportunities and resources for students should be of utmost importance (Clotfelter, 134). By focusing on improving the academic and co-curricular experience, a university would likely increase its alumni giving.

Thomas Bruggink and Kamran Siddiqui provide additional research about factors contributing to alumni giving. The factors that Bruggink and Siddiqui examine are not all consistent with Clotfelter’s factors, making it difficult to compare results from the two studies. The results are similar for factors included in both studies. Bruggink and Siddiqui (1995) find “the following factors were all positively related to individual giving: income, age, alumni activity, being single... affiliation with a fraternity/sorority” (Bruggink and Siddiqui, 58). The

findings depict a likely identity of donors at liberal arts colleges. Bruggink and Siddiqui also found that the unemployment rate and the alumnus' residence in reference to the university are negatively related to giving (Bruggink and Siddiqui, 58).

Understanding what factors contribute to alumni giving is important. But, equally important is understanding why people donate portions of their income in the first place. There has been a great deal of research examining what drives such altruistic behaviors. J. Atsu Amegashie (2006) incorporates psychological literature into an economic study of gratitude. He contends that "gratitude is different from standard notions of reciprocity. Indeed, people derive utility from in-kind transfers (i.e., feel grateful), even if they do not like or do not consume the gift. This is because it is the *thought that counts...*" (Amegashie, 1). However, Amegashie distinguishes the utility derived from gratitude from the utility stemming from material consumption. Amegashie's findings have important implications when considering factors that cause alumni to give back to their alma maters. Alumni will give back because they receive utility from the act of giving.

Utility gained from charitable giving can take different forms. One form, "Warm-glow giving", see James Andreoni (1990), occurs when the utility of the individual making a charitable contribution is partially, but not entirely, dependent on the utility of the party receiving the donation. Additionally, Andreoni argues that "assuming individuals are not indifferent between gifts made by themselves and gifts made by other individuals or the government" (Andreoni, 473) would explain why government subsidies do not completely crowd out private giving. According to Andreoni, there have not been any substantive findings that incorporate the interdependence of preferences into charitable giving models. The implications of Andreoni's contention are widespread. The typical explanations of charitable giving must be called to

question. Alumni giving programs at universities must incorporate the argument that donors' utility from giving to their Alma mater is, in some way, affected by others, but not entirely dependent on others giving.

George Kuh (2005) defines characteristics and conditions that lead to student success in college and explains the difference between a university's espoused mission and enacted mission. The espoused mission is a university's stated mission statement. The enacted mission is the way the university actually operates on a regular basis. Throughout time, universities develop "a philosophy that guides thought and action as it pursues its educational mission" (Kuh 2005, 27). At the best educational institutions, this operating philosophy is in harmony with the espoused mission. A differential between the espoused and the enacted mission can cause university programs to suffer severely.

Steven Sample (2001) discusses the concept of "being president versus doing president" (Sample, 159). For a myriad of reasons, many individuals want to be the president or leader of an organization. One must truly want to do what the position requires of them in order to effectively lead. The position of university president is demanding and, like many chief positions, falsely glamorized. Sample develops and explains his formula:

Sample's 70/30 Formula for Leadership- to wit, under ideal conditions up to 30 percent of a leader's time can be spent on really substantive matters, and no more than 70 percent of his time should be spent reacting to or presiding over trivial, routine or ephemeral matters (Sample, 161).

Institutional success is dependent on institutional leadership; followers must have a common vision and direction if an institution is to thrive. Having the right president is of the utmost importance because universities are such complex organizations. University leadership is significant when considering the ability an institution has to create a focused, directional culture for students, staff, and faculty.

IV. THEORY

Puget Sound has changed identities multiple times throughout its existence. For roughly the past two decades, Puget Sound has been characterized as a small, selective college specializing in liberal arts education. The upward trend in quality that Puget Sound has been experiencing is largely due to university leadership and direction. Good leadership is essential to any educational institution's ability to foster student success. It is most often the President's responsibility to ensure the institution is headed in the right direction. Thus, it is paramount that key university leadership acknowledges Puget Sound's primary function, "Student success becomes an institutional priority when leaders make it so" (Kuh 2005, 270). Leadership at Puget Sound must understand the importance of student success on campus. Without student success, there is no mission of the university. However, with student success as a focal point, an institution can thrive.

As Kuh (2005) explains, it is crucial that a university has clear direction. Puget Sound must operate, on a daily basis, in accordance with its mission. This means that staff and faculty must embody the values the university espouses in its mission. By creating a culture that fosters student success, a university is able to provide the most satisfying experience for students. A more satisfying experience for Puget Sound students will result in greater alumni giving. The most crucial component for a successful alumni giving program is a genuine, intense focus on student success at the undergraduate level. This focus is only actualized if university leadership creates a culture that demands a "commitment to building shared responsibility for student success" (Kuh 2005, 158).

Past presidents of Puget Sound have provided directional leadership at integral times. The most notable and major change in recent years came in 1993 when Puget Sound sold its popular

law school to Seattle University. While some criticized President Susan Resneck Pierce for the board of trustees' decision, others have argued that Pierce acted boldly and rightly:

she has guided the college in a gutsy, and time would prove brilliant, course of action laid out by the Board of Trustees in 1979: While other institutions propped up sagging enrollments with job-specific pre-professional programs, Puget Sound went in the opposite direction, back to the vision of its founders, clarifying its liberal arts focus and growing smaller and more residential by design (Luce 2003)

President Pierce's ability to confront the brutal facts proved to be essential to the recent institutional success of Puget Sound (Collins 2001). Pierce and other university leadership faced resistance from the Tacoma community, Puget Sound law school alumni, as well as undergraduate students. When others had a myopic view of the situation, Pierce went back to the original mission that Puget Sound was founded upon to guide decisions.

Puget Sound distinguishes itself from other universities in many ways. Most notably, the university focuses on innovation and, as Rick Brooks explains, "Doing more with less" (Brooks 2008). Brooks acknowledges one of the most significant differences between Puget Sound and peer institutions is its financial position. A method of overcoming financial constraints has been encouraging student innovation, allowing individuals to create their own Puget Sound experience. These activities are often a particularly defining component of a Puget Sound student's experience. George Kuh proposes the value of co-curricular activities when he explains that:

The curriculum is, without dispute, the organizing framework for academic institutions. At the same time, students benefit in many ways from out-of-class experiences, ranging from gains in critical thinking to relational and organizational skills, attributes that are highly correlated with satisfaction and success after college (Kuh 1995, 149-150).

Almost all institutions foster an environment in which students are encouraged to view their education holistically. Puget Sound must encourage a campus climate in which students are expected to involve themselves in different activities outside of class because students will be more likely to find a real satisfaction with their experience. Creating satisfaction and meaning will foster a culture of giving.

Many alumni give back out of gratitude. In other words, some alumni feel a sort of implicit obligation. Alumni gain a fundamentally different type of utility from giving back to the university than if they were giving with the expectation of reciprocity. While it is likely that universities treat donors well, Amegashie (2006) suggests that alumni may not contribute in order to receive something in return. Furthermore, Amegashie's findings suggest that university leadership should promote alumni giving in a specific manner. Universities must know their audience; different solicitation strategies are more effective, depending on the individual.

V. RESULTS AND DATA

The data collected on undergraduate satisfaction and alumni giving comes from two surveys conducted by the University of Puget Sound. Each survey provides insight into the thoughts and opinions of over one thousand Puget Sound alumni. The first survey is conducted annually by Puget Sound through the Higher Education Data Sharing (HEDS) Consortium. This survey is given to seniors, and the data is compared to results from peer institutions across the country to measure the success of various programs at Puget Sound. The HEDS Senior Survey data provides information pertaining to graduating seniors' activities on campus as well their opinion of Puget Sound's financial aid. The second survey, given to alumni, was conducted by Puget Sound through Maguire Associates. This survey identified areas of opportunity for Puget Sound alumni programs. The two data sets will be used to conduct an analysis of alumni giving

through examining factors that contribute to a high degree of overall satisfaction with one's undergraduate experience.

The HEDS Senior Survey data is used in the first of two regression models for this study. This first regression model uses peoples' satisfaction with their undergraduate education as the dependent variable. Independent variables include: whether the student would attend the same institution again, whether the student was in a Greek house, and whether students were satisfied with their financial aid package. The results of this regression will show what types of relationships exist between the independent variables and a student's satisfaction with their undergraduate experience. The correlation values will be examined to determine if there are negative or positive relationships between the dependent and independent variables. The relative strength of each correlation may prove to have greater predictive power.

Whether the student would attend the same institution again is almost explicitly a measure of one's satisfaction with their undergraduate experience. That is, this independent variable and the dependent variable of satisfaction with undergraduate education should be close to an identity function. Thus, it is hypothesized that there is a strong positive correlation between whether someone would attend the same institution again and their overall satisfaction with their undergraduate education.

Past studies have found a positive correlation with Greek affiliation and the overall satisfaction of one's experience, see Bruggink and Siddiqui (1995). This may be due to the sense of community that many individuals receive from these organizations. Also, many Greek organizations place an emphasis on recruiting leaders on campus. If Greek houses are successful in recruiting leaders then it may be the case that they are more likely to give, regardless of their

Greek affiliation. Similar to other universities, it is hypothesized that Greek alumni will be more likely to give than independent alumni.

Whether the student was satisfied with their financial aid package should affect alumni giving. Many alumni base their decision to give back on their current financial situation. If alumni leave Puget Sound with a large debt load, it is hypothesized that they would be less likely to be satisfied with their undergraduate education, and consequently less likely to give back to Puget Sound.

Often times, the older an individual gets the greater their income. Past studies have found a positive correlation between alumni income levels and likelihood of donating to their Alma mater, see Clotfelter (2001). It is rational that the higher an individual's income the more disposable income they have. Further, it seems logical that if an individual has more disposable income they would be more likely to donate money. Thus, it is hypothesized that there will be a positive correlation between age and whether or not an individual has donated to Puget Sound.

Model I: HEDS Senior Survey Regression

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1 | .817 | .667 | .666 | 1.150 |

Dependent Variable: Satisfaction with undergraduate education

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.232 | .111 | | 11.073 | .000 |
| Attend Same Institution Again? | .386 | .028 | .338 | 13.881 | .000 |
| Fraternity or Sorortiy - 4th Year | -.187 | .075 | -.041 | -2.495 | .013 |
| Receive Financial Aid | .130 | .051 | .157 | 2.543 | .011 |
| Age | .351 | .061 | .372 | 5.765 | .000 |

The Maguire Associates Alumni Survey data will be used to determine which factors contribute to alumni participation. The dependent variable in the model will be whether or not

the individual has donated to Puget Sound. The independent variables will include: satisfaction with academic experience, satisfaction with social experience, income level, and the number of organized activities the individual participated in as an undergraduate.

Alumni satisfaction with their academic experience would probably contribute to future alumni giving, assuming that the alumni value their academic experiences. Thus, it is hypothesized that there will be a positive correlation with satisfaction with ones academic experience and whether or not they have donated to the university.

Alumni satisfaction with their social experience would probably contribute to future alumni giving, assuming that the alumni value their social experiences. Thus, it is hypothesized that there will be a positive correlation with ones satisfaction with their social experience and whether or not they have donated to the university. It is anticipated that this correlation will not be as strong as the correlation between one's educational satisfaction and whether or not they have donated to Puget Sound.

Puget Sound places an emphasis on pursuing both academic and co-curricular commitments. Puget Sound encourages students to get involved in activities outside of the classroom. Many students find that these activities are satisfying, educational, and rewarding. Thus, it is hypothesized that the number of activities an individual was involved in as an undergraduate will have a positive correlation to the likelihood of giving back as an alumnus.

Model II: Puget Sound Alumni Survey Regression

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|------|----------|-------------------|----------------------------|
| 1 | .774 | .598 | .596 | .425 |

Dependent Variable: Whether or not the individual has donated to Puget Sound

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | .424 | .114 | | 3.715 | .000 |
| Greek Life | -.006 | .003 | -.035 | -1.836 | .067 |
| Student Staff Member | -.008 | .003 | -.043 | -2.328 | .020 |
| Academic Satisfaction | .338 | .025 | .295 | 13.593 | .000 |
| Social Satisfaction | .257 | .017 | .311 | 15.305 | .000 |
| Prep for Grad School Satisfaction | .059 | .017 | .076 | 3.380 | .001 |
| Prep for Career Satisfaction | .136 | .017 | .184 | 7.840 | .000 |
| Value of Education Relative to Cost | .169 | .018 | .219 | 9.447 | .000 |

VI. CONCLUSIONS

Alumni giving and the forces which drive it are clearly a complex and dynamic issue with many variables at work. This paper addresses only a sampling of the many components that universities must consider. Scholars have studied what factors contribute to alumni giving. University staff members have surveyed students to see what has, or has not made their experience satisfying. University leaders are under constant pressure to improve alumni giving rates. Students are reluctant to give because of debt loads upon leaving, and the numbers are currently not improving. High degrees of alumni giving are vital to the maintenance and the advancement of a university's position in the world of higher education. If students are expected to give, Puget Sound leadership must teach them just how the business of education works. Often times, it is simply a matter of connecting leadership to students.

President Ronald Thomas writes, "We have found our place. Now that Puget Sound has become a respected national liberal arts college, we need to more fully appreciate what we are..." (Puget Sound, Defining Moments). To fully appreciate Puget Sound, university leadership must create an enduring culture that supports the mission. The current mission statement for Puget Sound serves as a guide to students, faculty, and staff. Student success will be fostered by recruiting and retaining the best and brightest minds of future generations. This is

done by competing against and outperforming peer institutions. According to United States News, Puget Sound is on a list of up and coming liberal arts schools (U.S. News). To continue its rise in the rankings, Puget Sound must have an organizational focus on student success and satisfaction. Greater levels of satisfaction will lead to higher levels of alumni participation.

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